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STOCKTON MAN SENTENCED IN TAX CASE

SACRAMENTO--United States Attorney McGregor W. Scott announced today that RONALD BATCH, 45, of Stockton, California, was sentenced today to 3 years in prison and remanded into custody by U.S. District Court Judge David F. Levi. BATCH was convicted on September 16, 2004, by a federal jury of two counts of filing false federal income tax returns for the years 1996 and 1997.

According to Assistant United States Attorney Richard Bender, who prosecuted the case, the evidence introduced at trial showed that BATCH had underreported his 1996 income by \$477,472 and overstated his 1997 business deductions by \$791,238. The false entries were on that portion of his tax return relating to his business, Batch Tractor Services.

According to the trial testimony, the tax investigation began shortly after Investigators from the San Joaquin County District Attorney's Office, Union Pacific Railroad Police, and from the California Employment Development Office, executed a search warrant at the defendant's residence on October 1, 1998. The search warrant authorized them to look for evidence concerning California Unemployment Insurance and Workers Compensation Insurance Code violations as well as possible fraud against Central California Traction Company (a short-line railroad wholly owned by Union Pacific and Burlington Northern Santa Fe Railroads). At that time receipts apparently intended to support various business expenses for the defendant's company, Batch Tractor Services, were found in the defendant's files and seized pursuant to the

search warrant. An examination of some of the receipts raised a suspicion that they were fictitious.

Internal Revenue Service Criminal Investigators joined in the investigation soon thereafter and determined that the companies that supposedly issued the suspicious receipts, did not exist. They also determined that the numbers generated from these receipts had been forwarded to, and used by, the defendant's tax preparer to prepare the defendant's 1997 tax return. The false receipts totaled \$791,238. The IRS investigation concerning the 1997 tax return also uncovered \$477,472 in unreported 1996 business income that was added to the charges.

In the penalty phase of the case, the jury determined that the combined tax loss to the government caused by the defendant's false reporting on the 1996 and 1997 returns was over \$400,000.

Still pending against defendant BATCH are the remaining two counts of the original indictment. According to that indictment, BATCH, through his company, Batch Tractor Services (BTS), engaged in a scheme to defraud Central California Traction Co. (CCT) by paying kickbacks to CCT's manager, Howard Menking. The purpose of the kickbacks was to convince CCT's manager to award BTS additional work from CCT, and to loosely review BTS's billings for that work to CCT. The fraud portion of the case was stayed pending the outcome of the tax charges. That trial has been scheduled for March 28, 2005.

The pending charges are only allegations and the defendant is presumed innocent until and unless proven guilty beyond a reasonable doubt.

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